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C O N F I D E N T I A L SECTION 01 OF 02 KUWAIT 004315

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STATE FOR NEA/I, TREASURY FOR U/S ADAMS

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SUBJECT: IRAQ COMPACT: TREASURY DEPUTY SECRETARY MEETING  
WITH IRAQI NATIONAL SECURITY ADVISOR

REF: KUWAIT 4309

Classified By: Economic Counselor Timothy Lenderking for reasons 1.4 (b)  
) and (d)

¶1. (C) Summary: Treasury D/S Kimmitt met with Iraqi NSA Rubaie in Kuwait City on November 1, the day following the Preparatory Group meeting on the International Compact for Iraq (ICI). They had a wide ranging discussion regarding the ICI, Iraq-Saudi relations, the Iraqi insurgency and Iraq's security budget deliberations. Rubaie agreed that PM Maliki would approach King Abdullah early next week to request that KSA host a Compact Ministerial event. (Note: The message was revised later asking Rubaie to hold off for now. End note.) D/S Kimmitt also emphasized that Iraq must make progress on the political and security fronts prior to the ministerial event. Also attending the meeting were: Treasury DAS for Africa and the Middle East, Ahmed Saeed, and Treasury Attache (Baghdad), Jeremiah Pam. End summary.

#### Discussions In Baghdad With NSA Hadley

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¶2. (C) Rubaie began by noting that he and PM Maliki were very encouraged by oral and written messages NSA Hadley had delivered on behalf of POTUS. Also, he said that NSA Hadley had reassured Iraq that the conclusions of the upcoming Baker-Hamilton report would not be "imposed".

#### Importance Of Political And Security Progress For ICI

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¶3. (C) D/S Kimmitt noted that the administration was proactively seeking to develop additional funding for Iraq, particularly in the context of the ICI, but that it would be important to see progress on the political and security fronts before the Compact Ministerial.

#### "Militias Are A Threat Not The Enemy"

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¶4. (C) In a lengthy discourse on the root causes and appropriate remedies for the current unrest in Baghdad, Rubaie argued that it was a "total mistake" to conclude that al-Qaida was the real long term strategic threat to Iraq. In fact, he argued, while al-Qaida continues to be an international presence, the real strategic threat in Iraq's "highly civilized" society are well armed and trained former regime Baathists.

¶5. (C) Rubaie termed al-Qaida a "cancer" against which strong action or, in his words, "surgical removal" was required. Militias, on the other hand, arose as an infection

after the cancer and needed to be more delicately treated through measures such as DDR and jobs programs.

¶6. (C) Certain U.S. policies, in Rubai's opinion, failed to appreciate the Arab mentality and a "radical rethink" was required. For example, reaching out to Iraqi insurgents for direct talks will be interpreted as a sign of weakness in the Arab mind.

#### Relations With Saudi Arabia And ICI Signing

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¶7. (C) Although Rubaie was clearly frustrated with the Iraqi-Saudi relationship, he also recognized the value to the GOI of having a Compact Ministerial event in Saudi Arabia. Rubaie offered to have PM Maliki approach King Abdullah directly to request that KSA host the ministerial. Rubaie agreed with D/S Kimmitt's request that this be done early next week, and the D/S promised that the USG would provide Secretary Rice's schedule of availability by that time,

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together with proposed dates between November 29 - December

¶8. In response to a question from D/S Kimmitt about PM Maliki's failure to attend an iftar in KSA at the invitation of King Abdullah, Rubaie cited three reasons that also reveal the underlying complexities of the Iraqi-Saudi relationship: first, he noted Maliki's personal dislike of travel; second, he cited the Saudi failure to follow up on prior commitments (e.g., he advised that on Maliki's first trip a commitment had been made to have follow-on meetings that have not yet occurred with the Crown Prince, Prince Bandar and Prince Naif); and third, he cited the superiority of Iraqi civilization and a desire not to beg.

#### Security Budget

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¶8. (C) D/S Kimmitt raised the issue of Iraq's security budget, noting that USG analysis revealed an Iraqi security need of \$13.4 billion in FY 2007, and that Iraq will need to budget \$8 billion of its own resources with the administration preparing a request to the Congress for the \$5.4 billion remainder. Rubaie responded that he would discuss this with PM Maliki and Finance Minister Jabr.

¶9. (U) This cable has been cleared by D/S Kimmitt.

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LeBaron